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Filed: 03-30-21

Sponsored by: Ollis

First Reading: _____

Second Reading: _____

COUNCIL BILL 2021-082

GENERAL ORDINANCE _____

AN ORDINANCE

1 AUTHORIZING a one-time variance to the Fuel Adjustment Factor for Under-
2 recovery (Over-recovery) of Prior Fuel Cost Dollars (a/k/a “under-
3 recovery (over-recovery) of fuel costs”), each as described or
4 defined in the Fuel Adjustment Clause (Electric Rates Sheet No. 10
5 of General Ordinance 6139), to be calculated by City Utilities of
6 Springfield, Missouri.
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9 WHEREAS, during the extreme weather events which occurred from February 11
10 through February 20, 2021, City Utilities of Springfield, Missouri (“City Utilities”),
11 incurred dramatically increased market energy purchase costs related to integrated
12 marketplace commitments; and
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14 WHEREAS, the Board of Public Utilities has recommended that such costs be
15 removed from the “purchased energy” portion of “fuel” as such terms are used in
16 calculating the Under-recovery (Over-recovery) of Prior Fuel Cost Dollars (a/k/a “under-
17 recovery (over-recovery) of fuel costs”) recovered from its customers via the Fuel
18 Adjustment Clause.
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20 NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF
21 SPRINGFIELD, MISSOURI, as follows, that:
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23 Section 1 – Notwithstanding the language of the Fuel Adjustment Clause, the
24 dollar cost of electricity (purchased energy) from Southwest Power Pool, Inc. from
25 February 11 through February 20, 2021, shall be removed from the “purchased energy”
26 portion of “fuel” as such terms are used in calculating the Under-recovery (Over-
27 recovery) of Prior Fuel Cost Dollars (a/k/a “under-recovery (over-recovery) of fuel
28 costs”) when computing the semiannual Fuel Adjustment Factor to be effective for all
29 periods thereafter. For purposes of this Ordinance, “Fuel Adjustment Factor,” “Under-
30 recovery (Over-recovery) of Prior Fuel Cost Dollars,” “under-recovery (over-recovery) of
31 fuel costs,” “purchased” energy” and “fuel” shall be as described or defined in
32 “Attachment 10,” Electric Rates Sheet No. 10 of General Ordinance 6139, Fuel
33 Adjustment Clause.

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Section 2 – This Ordinance shall be in full force and effect from and after passage.

Passed at meeting: _____

Mayor

Attest: _____, City Clerk

Filed as Ordinance: _____

Approved as to form: Rhonda Lewaden, City Attorney

Approved for Council action: Juan A. Hage, City Manager

EXPLANATION TO COUNCIL BILL 2021- 082

FILED: 03-30-21

ORIGINATING DEPARTMENT: City Utilities of Springfield, Missouri (“City Utilities”).

PURPOSE: To approve a one-time variance to the Fuel Adjustment Factor for Under-recovery (Over-recovery) of Prior Fuel Cost Dollars (a/k/a “under-recovery (over-recovery) of fuel costs”), each as described or defined in the Fuel Adjustment Clause (Electric Rates Sheet No. 10 of General Ordinance 6139), because of unprecedented energy market charges incurred by City Utilities during February 2021.

BACKGROUND:

Summary of Change

The one-time variance to the Fuel Adjustment Factor proposed in the accompanying Ordinance excludes the dollar cost of purchases from Southwest Power Pool, Inc. from February 11 through February 20, 2021, from the “purchased energy” portion of “fuel” as such terms are used in calculating the Under-recovery (Over-recovery) of Prior Fuel Cost Dollars (a/k/a “under-recovery (over-recovery) of fuel costs”) when computing the semiannual Fuel Adjustment Factor to be effective for all periods thereafter.

Approval of this proposal would result in City Utilities customers not being charged for dramatically increased market energy purchase costs related to integrated marketplace commitments during the extreme weather which occurred from February 11 through February 20, 2021.

Reason for Change

The Fuel Adjustment Clause provides for timely recovery (or refunds) of changes in the cost of fuel from City Utilities’ customers. The clause includes recovery (through base rates and the Fuel Adjustment Factor) of fuel costs for electricity (kWh) sold and costs for fuel used in generation and purchased energy. City Utilities uses a generation fleet with diverse fuel sources which increases reliability, reduces dependence on the transmission grid, and provides local jobs and positive economic impact. This practice also typically limits exposure to fuel constraints, mitigates transmission congestion risk, and protects City Utilities’ customers from extreme market prices.

City Utilities is a member of Southwest Power Pool (“SPP”) Integrated Marketplace, which acts as a clearinghouse to distribute energy-generating units. As such, all of City Utilities’ available units must be offered into the market and all energy used by its customers is purchased from the market. City Utilities pays and receives market pricing, so its units act as a hedge on market prices.

Extreme market pricing was experienced and is being reviewed by SPP for transactions that occurred from February 11 through February 20, 2021, due to the record-setting cold weather experienced across the Midwest. City Utilities was able to sell excess energy to the integrated marketplace during such period, which provided City Utilities with the opportunity to recover some purchased energy costs (normally included in the Fuel Adjustment Factor) from non-City Utilities customers. City Utilities' integrated marketplace sales exceeded its purchases during such period since its combined electric generation and purchased energy was greater than its customers' needs, so its purchased energy costs for electricity purchased from SPP for the same period have already been recovered through the market (non-City Utilities customers). As a result of this isolated event, City Utilities is requesting a one-time variance to exclude these specific costs from the Fuel Adjustment Factor.

REMARKS:

The Board of Public Utilities of the City of Springfield, Missouri (the "Board"), discussed this issue at its regular meeting held on March 25, 2021. It determined that the dramatically increased cost of market energy purchases from February 11 through February 20, 2021, warrants a variance from the Fuel Adjustment Factor if approved by City Council.

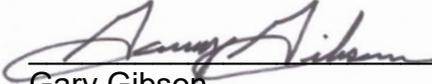
The Board is recommending that the dollar cost of electricity (purchased energy) purchased from Southwest Power Pool, Inc. from February 11 through February 20, 2021, be removed from the Fuel Adjustment Factor for all periods thereafter, as provided in the accompanying Ordinance. This would serve to reduce the impact of the extreme weather events experienced during February 2021 on City Utilities' customers' monthly bills.

Submitted by:

Approved by:



Amy Derdall,
Vice President-CFO



Gary Gibson,
General Manager-CEO